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UNCTAD VIII – THE EIGHTH UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT

FOREWORD BY THE SECRETARY-GENERAL OF UNCTAD

UNCTAD was born when, almost three decades ago, an overwhelming majority of member States of the United Nations shared a common belief that a co-operative effort was required to bring about a more just world economic order in which the developing countries would participate more fully in, and thus benefit from, a prospering world economy. Since that development consensus was forged, a number of developing countries have achieved a degree of progress which is remarkable by historical standards. Meanwhile, however, many other countries have fared poorly and systemic asymmetries and inequities in the world economy persist. Indeed, the vast majority of developing countries are today burdened with a general loss of economic dynamism after a decade in which more than two thirds of them experienced a decline in per capita incomes. A major challenge for the 1990s must, therefore, be the revitalization of economic growth and social development in the developing world.

The pursuit of this objective is not only an ethical imperative. It is also dictated by practical considerations, not least among them the prospect of gains for all. Indeed, the prevailing world political and economic situation offers a conjunction of challenges and opportunities, unprecedented since World War II, for renewing the co-operative endeavour to promote conditions of social well-being for all peoples. At the political level, the end of the Cold War bears the promise of reduced military budgets, while the deepening of current trends towards democratization could contribute to better economic management. At the same time the increasing globalization of the world economy and the growth of interdependence among economies have reduced the scope for autonomous policy-making by governments while highlighting the considerable potential advantages of global markets and of closer economic co-operation and effective policy co-ordination. Given the necessary commitment of the international community, the on-going technological revolution and the formation of large economic groupings among developed countries could also produce widespread benefits.

The realities of interdependence have been further accentuated by a number of other recent phenomena. The sharp rise in the level of concern about environmental degradation, for example, underscores the need for international co-operation to ensure the security of our planet's ecology and to eradicate poverty. Economic decline in many developing countries has fuelled the flow of refugees and migrants into developed countries. Epidemics, terrorism and the illicit traffic in narcotics, too, have implications reaching beyond national frontiers. The reactivation of the development process is, therefore, clearly in the common interest.

Another opportunity for strengthening international co-operation for development arises from the new convergence of perceptions concerning economic and social organization as well as development policy. This consensus encompasses many aspects of the domestic policies necessary to achieve self-sustained development that is both people-centred and participatory in nature. It also covers the priority to be accorded to the eradication of poverty and to human resource development as well as the importance of good management, involving complementary roles for the market mechanism and the State.

A large number of developing and other countries are currently engaged in a complex and costly process of reform based on these perceptions. The success of their efforts, however, depends crucially on a supportive international economic environment. Indeed their development will be retarded if existing constrictions such as external indebtedness, inadequate development finance, high trade barriers, depressed commodity prices and deteriorating terms of trade stay in place. The developed countries, by virtue of their weight in the world economy, have a special responsibility in this regard.

Don Raúl Prebisch's plea for action is no less valid now than it was at UNCTAD I: "Realism is also foresight, and an elementary sense of foresight should induce us to read the signs of the times in the developing world." UNCTAD VIII provides a timely opportunity to read the signs of today and to mobilize support for action: to translate the growing convergence on development issues and priorities into a comprehensive set of national and international policies to build a healthy, secure and equitable world economy; and to impart fresh vigour to UNCTAD itself as a universal and democratic institution with a central development vocation.

READEX

MESSAGE FROM THE PRESIDENT OF COLOMBIA

It is with feelings of goodwill and hope that the Government and people of Colombia are preparing to welcome the delegations of the member countries and of international organizations that will participate in the eighth session of the United Nations Conference on Trade and Development.

From the moment Colombia made its offer to host the Conference, it fully appreciated the outstanding opportunity presented by the launching of a renewed dialogue on development and international economic co-operation, in the context of the rapid and profound changes that now seem to hold out the promise of world peace and security in the closing decade of this century. It is our hope that these changes will also result in a favourable environment for tackling the problems which tend to be associated with the general term of underdevelopment and which continue to be the daily lot of the greater part of mankind.

Cesar Gaviria Trujillo

We conceived and established UNCTAD in the 1960s as the universal and democratic forum for analysis, negotiation and co-operation in respect of policies oriented towards development. Over the years, whether through lack of understanding or of genuine commitment, or because of the atmosphere of confrontation into which our dialogue had fallen, the work of UNCTAD has been losing its relevance in the field of economic negotiations. Our immediate task, therefore, is to ensure the revitalization of UNCTAD, first through a renewed display of support and confidence by the member countries and then by ensuring that UNCTAD once again plays a central role in dealing with the fundamental issues of international economic relations.

There is already an imposing and complex agenda for the deliberations at UNCTAD VIII. It contains novel themes side by side with the long-standing issues which have been addressed in many of the previous Conferences. What must distinguish the forthcoming Conference from its predecessors is the way in which we approach the issues and the adoption of more flexible mechanisms and procedures for achieving results of real significance.

We know full well that these issues have traditionally aroused, and will continue to be a source of controversy in North-South relations. But dealing with them in an atmosphere free from confrontation, and discussing them calmly in a climate of genuine co-operation, is bound to lead to realistic and more effective solutions.

As the Secretary-General of UNCTAD has so aptly stated in his Report to UNCTAD VIII, the Conference will have to inject new life into the development dialogue, to impart the necessary momentum to multilateral co-operation, and to lend fresh vitality to UNCTAD itself.

Colombia is optimistic about the favourable prospects for the outcome of UNCTAD VIII. Having assumed its obligations as host country in a spirit of dedication and responsibility, Colombia will make every effort, in collaboration with the UNCTAD secretariat, to ensure that the logistical and organizational arrangements facilitate the work of the delegations to the Conference.

In addition to fulfilling its role as a friendly host, Colombia has been seeking to contribute to the successful outcome of the Conference. In this respect, I note the good intentions with which the member countries and the various country groupings have approached the preparatory process now under way, as well as their shared interest in making UNCTAD VIII an event of enduring significance for the common cause of development.

I wish you a warm welcome to Colombia.

ISSUES BEFORE THE CONFERENCE

The unifying theme of the UNCTAD VIII agenda–namely, *strengthening national and international action and multilateral co-operation for a healthy, secure and equitable world economy*–provides the broad framework for the consideration of policy issues by the Conference in five interrelated areas. These are resources for development, international trade, technology, services and commodities. In anticipation of the Conference discussion, the Trade and Development Board on 2 December commenced a special session. The basis for the Board's pre-negotiations was a paper submitted by the Secretary-General of UNCTAD, Mr. Kenneth K. S. Dadzie, which draws on–among other texts–his own Report to the Conference.[1] The following is drawn mainly from that Report.

Mobilizing Resources for Development

A large number of developing countries are now locked in a vicious circle of over-indebtedness, under-investment, increasing macro-economic instability and inadequate external support. Breaking out of this circle and moving on to a path of sustained growth and development presents a formidable challenge. Domestic reforms are indispensable. Moreover, the acute external financial difficulties faced by developing countries in the 1980s have heightened the importance of mobilizing domestic resources. While there is limited scope for increasing the level of savings in countries which have suffered declines in living standards, there is room for improving the way savings are allocated and utilized.

In this endeavour a major obstacle is macro-economic instability, characterized by high and volatile inflation and unexpected swings in wages, exchange and interest rates. Stability should, therefore, be pursued through a judicious combination of fiscal, monetary, and prices and incomes policies as well as through greater financial discipline.

Equally harmful are uncertainties in the rules of the game, and lack of continuity and of a long-term perspective in policy-making. Continuity and confidence in policy-making require social and political consensus as well as a secure, confident, skilled and depoliticized bureaucracy.

Interest rate policies, too, have a pronounced effect on the way savings are allocated and used. Since interest rate changes affect creditors and debtors, and rentiers and entrepreneurs differently, the expected effects need to be finely balanced. The actual impact of interest rate policies, moreover, depends largely on the efficiency of financial institutions. In many developing countries these suffer from serious structural deficiencies. Institutional reform and rigorous supervisory and prudential arrangements are therefore necessary.

Public sector reform also has a major role to play in resource mobilization. In many countries there is considerable scope for raising public sector savings. Moreover, public sector investment accounts for a substantial portion of total domestic capital formation, so that improvements in its efficiency would make a significant contribution to overall economic growth. In this regard the reform of State economic enterprises can play an important role.

In many developing countries, economic revival also depends on higher public sector investment. This needs to be achieved in the context of fiscal reform. While the reallocation of budgetary resources is a major element–including cuts in military spending–the key to successful fiscal reform is greater equity and efficiency in taxation.

The efforts of developing countries at the domestic level will need to be supplemented by increasing amounts of external financing. Since private flows are not likely to revive on a major scale in the near future, that financing will need to come from more vigorous debt relief and stronger mobilization of official assistance.

In the area of commercial bank debt, the Brady initiative has resulted in much less debt reduction than is required. It therefore needs to be strengthened with a view to enlarging considerably the scale and pace of debt and debt-service reduction. Similarly, with regard to debt owed to official bilateral creditors, the degree of relief under the Toronto Agreement falls far short of what is warranted by the debt-

Debt problems can affect vital services. African doctors operate by the light of an oil lamp. (Photo WHO/Eric Schwab)

[1] *"Accelerating the development process–Challenges for national and international policies in the 1990s"*, (TD/354).

servicing capacity of low-income countries. Recent creditor proposals for larger reductions, therefore, deserve serious and urgent consideration. Eligibility criteria also need to be further reviewed to allow all least developed countries and IDA recipients to benefit from the Toronto terms. Further measures are also needed to ease the burden of official debt on middle income countries and to deal with multilateral debt.

Additional debt relief measures will need to be supplemented by an increase in official financial flows, which have been virtually stagnant in real terms over the past decade. A greater role for official finance would ensure greater stability, predictability and a more efficient use of available resources. Donor countries should, therefore, make serious efforts to reach the ODA target of 0.7 per cent, and the international financial institutions should be placed in a position to ensure that the structural adjustment process in developing countries is adequately funded. Development finance could also benefit from disarmament and reduced military expenditures.

Another potential source of non-debt creating flows is foreign direct investment. So far, expectations that more liberal treatment by host countries would stimulate substantial inflows have not been fulfilled. The continuing efforts of developing countries to attract foreign investment will, therefore, need to be complemented by appropriate action by home countries and by the multilateral financial institutions.

External financial support is also required to permit an effective strategy to eliminate poverty in developing countries, which is an important cause of environmental degradation. In order to meet the dual objective of environmental protection and adequate transfer of resources, consideration should be given to the imposition of taxes and user fees on environmentally damaging activities and products and to the establishment of a global scheme of tradeable emission permits.

Improving the Trading Environment

The international trading environment has increasingly been marked by contradictory developments. On the one hand, there have been unilateral trade liberalization measures by developing countries and a relaxation of discriminatory measures previously applied by developed countries against several Central and Eastern European countries. On the other, the trading system is threatened by growing protectionism and managed trade which suggest some loss of faith in the multilateral system. The international community faces a clear choice: revitalizing and improving its rules or sliding into managed trade, tiered preferences and inward-looking trade blocs.

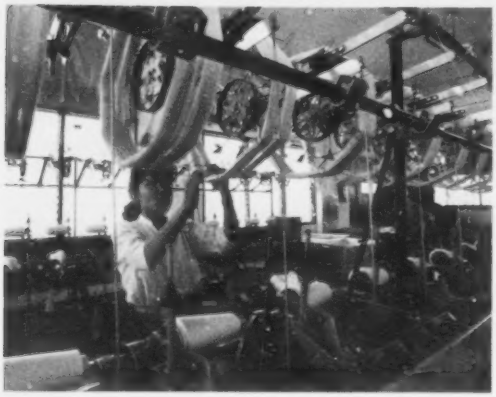
While a large number of developing countries have opened up their economies and given exports a more prominent role in their development strategies, the response in terms of investment and growth has been uneven. It has been particularly disappointing in countries lacking flexible and diversified economic structures and in debt distressed countries. These experiences point to a number of lessons. First, trade policy cannot be considered in isolation. Overall macroeconomic stability and a skilled labour force, for example, are prerequisites. Secondly, the trade dimension should be given due weight in decisions on exchange rate policy. Thirdly, the impact of trade policy can benefit greatly from policies designed to attract transnational corporations. Finally, trade expansion depends on a sustained joint commitment to the strategy adopted, by both government and enterprises.

The growth of developing country trade also depends on greater efficiency in the conduct of trade. Improved infrastructures, the elimination of inefficient practices and the availability of low-cost export finance are crucial for successful exporting. Greater efficiency is also attainable if a concerted effort is made to accelerate work in the area of information technology, such as Electronic Data Interchange (EDI).

Meanwhile, protectionist measures in the major market economies have tended to increase and to be concentrated in sectors where developing countries have a distinct comparative advantage. Apart from high tariffs and tariff escalation with the degree of product processing, the most serious impediment to market access has been the proliferation of non-tariff barriers (NTBs), which affect almost 30 per cent of developing country exports to developed countries. Such obstacles need to be removed, and the Generalized System of Preferences (GSP) needs to be strengthened and its coverage extended.

Market access conditions in the 1990s are likely to be influenced by the outcome of the Uruguay Round, particularly in such sectors as agriculture, textiles and clothing, tropical products and natural resource-based products. The outcome must include specific tariff concessions, non-tariff liberalization, the elimination of measures such as voluntary export restraints, and tighter disciplines on anti-dumping and countervailing measures. Stronger multilateral principles, rules and disciplines which reduce the possibilities for such restrictions are also essential. Governments should also establish transparent national mechanisms to evaluate protectionist measures sought by firms/sectors,

Textile and clothing exports of developing countries are hard hit by NTBs. (Photo ILO/J. Maillard)



as agreed at UNCTAD VII.

A key objective of the Uruguay Round is to preserve the basic principles of the GATT and to develop a more open, viable and durable multilateral trading system. The challenge now is to attract the full adherence of stronger trading partners and to make the system more responsive to the needs of weaker partners by taking full account of the development dimension of the issues under negotiation. A positive and balanced outcome which meets this challenge will be a decisive blow against protectionism and possible fragmentation of the trading system.

With regard to any new institutional arrangements which might be created in the aftermath of the Uruguay Round, these should be comprehensive in subject coverage, universal in membership, based on agreed objectives and norms of behaviour, responsive to the interests of all members, equitable in decision-making and organically linked to related institutional arrangements in the areas of money and finance.

Another challenge for the 1990s is to evolve an economic policy framework to deal with the interaction between trade issues and environmental policies. A key issue relates to the possible use of environmental regulations as a vehicle for introducing discriminatory measures and disguised barriers to trade. In general this danger could be avoided by relying more on international conventions and/or treaties.

Promoting Technological Dynamism

With science-based technologies emerging as prime determinants of economic and social change, the prospects for the technological progress of developing countries are determined increasingly by external forces. However, by providing an appropriate domestic policy framework, developing country governments can help shape their national technological progress.

The 1980s witnessed a considerable relaxation of regimes governing the treatment of technology and foreign investment in many developing countries. While the incentives offered in the process can be useful in furthering development objectives, experience shows, however, that where they are not part of a broader technology policy with clear priorities, they may result in inefficiency and misallocation of resources. Another lesson is that the most effective inducements to foreign investors and technology suppliers generally include those arising from financial stability, policy transparency, the availability of skilled manpower and large and dynamically growing domestic markets. In many developing countries, however, financial constraints do not allow such conditions to develop. The removal of such constraints through debt relief measures and expanded official flows is, therefore, necessary.

With regard to intellectual property rights, strengthened protection may be a necessary condition for technology transfer but not a sufficient one. Protection alone will not offset a lack of trained personnel, of equipment and infrastructure, nor will technology transfer take place in the absence of adequate market size and competitive ability of potential licencees.

Another development which will affect the participation of developing countries in international trade in technology is the emergence of international networks for co-operation among enterprises in R & D, skills procurement, testing and marketing. Developing countries often lack the infrastructure and the human and financial resource base necessary to gain access to these networks. International co-operative arrangements such as a code of conduct on the transfer of technology could facilitate such access.

The quality and intensity of domestic efforts is the other main determinant of a country's technological dynamism. Stability, growth and a predictable policy framework are essential to investment. Competition, both domestic and international, in an effectively functioning market also provides a powerful incentive. When faced with competion from mature foreign enterprises, however, new local entrants in developing countries need a measure of protection.

At the level of the firm, too, technological dynamism is not generated in isolation. It entails interaction with the industrial environment. In this regard the most effective government support is that which produces inputs which firms are unable or unwilling to provide themselves or which help reduce risk or uncertainty. A case in

point is R & D, on condition that such research is adequately focused on the needs of domestic manufacturers. Close collaboration between universities and firms also provides an important stimulus for technological development.

Technology is both a major source of damage to the ecosystem and also a potential solution to the apparent conflict between material prosperity for all and improvement in environmental quality. The increasingly global character of many environmental problems provides both developed and developing countries with a strong interest in establishing the necessary framework for promoting clean, natural resource–conserving technologies. However, if the imperative for action is to carry conviction, the developed countries will have to demonstrate their readiness to apply modern knowledge to the improvement of living standards in the developing world, and at the same time to modify lifestyles associated with the use of destructive production and consumption technologies.

Developing the Services Sector

Some services, particularly producer services and those associated with information technologies, are crucial for the dynamism of the entire economy. They are a major source of value-added and a determining factor of international competitiveness in a wide range of other services as well as goods. The strengthening of the services sector in developing countries has accordingly become a major development task.

Such strengthening should include a special focus on human capital formation through the development of knowledge-intensive services, designed to render the service and manufacturing sectors more mutually supportive. This calls for a special focus on the modernization of infrastructures. An advanced telecommunications system, in particular, is essential.

Advanced telecommunications are essential for an effective infrastructure. Earth station in Mauritania (Photo E. Preece)

Other important features which a national services strategy could include are the development of indigenous producer services; measures to encourage transnational firms to purchase from domestic service suppliers in developing countries; the formulation of effective export strategies and appropriate export promotion measures; the formation of integrated national corporate entities capable of providing services in foreign markets; and enhancing co-operation with other developing countries.

As for the prospects for increased trade in services, much depends on the outcome of the Uruguay Round. Thus, the multilateral framework for trade in services emerging from the Round should give adequate attention to services sectors of special interest to developing countries. Another principle that should be recognized is that the access of developing country firms to advanced technologies and training, as well as information networks and distributional channels is essential for the liberalization of trade in services. Moreover, since the competitive advantage of firms from developing countries in a number of services sectors lies in a combination of relatively high skills and low costs, firms and professionals from developing countries should be allowed improved access to developed countries to provide specific services.

Liberalization by itself will not, however, resolve the main problems faced by developing countries in maximizing the contribution of the services sectors to their development. International assistance will be required to enable them to strengthen their technological capacity and upgrade their human capital.

Strengthening the Commodity Economy

After a decade of very depressed commodity prices, the challenge for the 1990s is to achieve open and strengthened world commodity markets. A first priority should be to create conditions for balancing supply and demand for individual commodities at improved real price levels. Demand could be strengthened by eliminating consumption taxes and restrictions on imports of primary and processed commodities, and by easing foreign exchange shortages in Central and Eastern Europe. Making supply more responsive to market situations basically entails phasing out production subsidies in developed countries and a change in the policies of developing countries aimed at increasing export volumes without regard to the market situation.

A second priority is to optimize the contributions of the commodity sector to development. For developing countries dependent on one or

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UNCTAD IN A CHANGING WORLD

H. W. Singer *

When the present world order was established at the end of the Second World War it was designed to rest on four pillars: the IMF, which was originally conceived of as a world central bank or international clearing union; the World Bank, for extending project loans to developing countries, since its function of financing the post-war reconstruction was largely taken over by the Marshall Plan; an International Trade Organization (ITO), with the primary function of stabilizing and protecting primary commodity prices through international buffer stocks and market regulation; and finally, a system of democratic global macro-economic governance centred in the Economic and Social Council of the United Nations (ECOSOC). The third and fourth pillars were never put in place. The ITO agreement, although fully negotiated in Havana, was not ratified. The ECOSOC has been superseded as an instrument of global management by the Group of 7–not a democratic instrument since it only represents a small minority of mankind–and to some extent by the IMF and World Bank, which are themselves effectively controlled by the Group of 7. The animal which was supposed to walk on four legs has been limping along on two, or perhaps two and a half.

As it happens, the two gaps both relate to the functions and mandate of UNCTAD. Commodity policy and attempts to stabilize primary commodity prices, or to secure financial compensation for price instability, have been an important part of UNCTAD's work through its Integrated Programme for Commodities (IPC). This has led to partial successes such as the establishment of an embryo Common Fund, the widening of the scope of the IMF's compensatory financing mechanism and the creation of the Generalized System of Preferences (GSP) for developing countries' exports. At a time when deteriorating terms of trade for exporters of primary commodities have led to the debt crisis and to the "lost decade" of the 1980s, and when primary commodity prices are at a lower real level relatively to traded manufactures than even in the Great Depression of the 1930s, there is perhaps no need to emphasize the importance of the unique UNCTAD mandate for international commodity policy.

Similarly, UNCTAD has a role to play in filling the gap created by the missing fourth pillar, i.e., United Nations-centred, democratic, global good governance. UNCTAD, with its universal membership, has a mandate to analyse the interdependent system of trade, investment and technology and prevent global zero-sum or beggar-my-neighbour policies. Given the growing interdependence of countries through trade, increasing global capital flows, and the emergence of technological capacity as a crucial factor in development, we can ill afford to neglect the instrument of global discussion, co-operation and management which UNCTAD potentially represents. There is now a growing consensus on the need to revitalize the United Nations system, beginning with the peace-keeping and environmental areas; it is to be hoped that this consensus will also extend to the economic area as originally envisaged. The demand of the 1970s for a New International Economic Order may have been removed from the international agenda, but the issues have not gone away and will have to be faced in the 1990s, under whatever name.

In a world of ever more powerful global mechanisms and monopolization of technical progress, the need is increasingly felt for a guardian of the public interest. Its function would be to ensure that the considerable wealth-creating potential of these new developments in technology and enterprise organization result in the enrichment, rather than in the impoverishment, of those countries which do not themselves possess the means to generate such powerful new forces. UNCTAD, with its work on codes and guidelines in such fields as restrictive business practices, shipping and transfer of technology has already accumulated considerable expertise in this respect. The windows of opportunity are there, waiting for the political will to implement them.

In the field of world trade it is possible to be even more specific in identifying a crucial gap with which UNCTAD is concerned. This is the inadequate level of South-South trade. The promotion of such trade could be a crucial factor in the future expansion of world trade. The fact that the industrial countries with 20 to 25 per cent of world population conduct more than half of total world trade with each other, while the great majority in the South do less than one tenth of world trade with each other is an asymmetry for which there is no explanation in underlying economic conditions or comparative advantages. The gap is quantitatively more important than the barriers to North-North and North-South trade and represents an immense potential for the future. The continued existence of this gap is an indication of past failures, in spite of minor achievements such as the Global System of Trade Preferences (GSTP) among developing countries. But this is not an argument against renewed efforts. UNCTAD is in a unique position to provide the key to open up this "black box" of

the world economy. There is no other lead agency. To entrust UNCTAD with this task is fully compatible with its universal character as an organ of the United Nations: the development of South-South trade is as much in the interest of the industrial countries and of the world as a whole as of the countries of the South.

The trend towards the formation of regional trading blocs and common markets should open up a new window of opportunity for UNCTAD. If this trend towards regionalization–in Europe, North America and East Asia–is confirmed, it would be vitally important that these regional blocs become stepping stones towards expanded and freer world trade rather than stumbling blocks or "fortresses". Trade creation must be maximized and trade diversion minimized. The position of those left outside the trading blocs must be supported, as they will need much advice and assistance in the negotiations and policy adjustments which will inevitably be involved.

Another role for UNCTAD presents itself in connection with the pressures exerted on developing countries to liberalize their trade regimes as part of stabilization and structural adjustment programmes. This is a controversial part of such programmes, both regarding the content and extent of trade liberalization, and also its sequencing in the context of other adjustment measures. Moreover, as a universal organization, but with a special regard for the interests of developing countries, UNCTAD should be in a good position to restore a badly-needed symmetry by pointing to the need for trade liberalization on the part of developed countries, and to the relationship of the latter to the growth and debt-paying capacity of developing countries. The present difficulties with the Uruguay Round, which centre to a considerable extent on the trade policies of developed countries, have shown the need for something more than the *ad hoc* negotiating mechanism which is the GATT. A continuing forum for the evolution of new ideas, constructive dialogue, and consensus building is needed, whatever the outcome of the Uruguay Round.

In the past, UNCTAD's role has often been that of a nagging voice of conscience. This role should not be underestimated, even if the "practical" commentator will point to a present lack of concrete results. The world and the United Nations system need a source of new ideas whose time has not yet come. In this respect, the fact that UNCTAD frequently engages in the discussion of issues for which executive responsibility lies in other fora can be turned into a positive advantage giving UNCTAD a distinctive role.

A related role for UNCTAD could be described as restoring balances. In the current fashion of juxtaposing markets and governments, outward and inward orientation, liberalization and regulation, etc., the pendulum has swung extremely far towards the first of these alternatives. This is now increasingly recognized and, in advocating a more reasonable and saner balance, UNCTAD would be going with the tide for the next decade in promoting and articulating a new and more balanced consensus.

These thoughts about UNCTAD's place in a changing world order have inevitably been concerned with broad problems of wide scope. This is not in any way to minimize the importance of the basic work of rendering practical assistance to developing countries as they tackle the often complex problems which arise in the course of international negotiations and domestic policy formulation. The *UNCTAD Bulletin* regularly provides examples of such work. Thus, the last issue *(September-October 1991)* carried details of work on such diverse subjects as the Mexican service economy, issues in multilateral negotiations on banking services, financial policies in developing countries, methods of improving trade financing, a global scheme for tradeable carbon emission permits, and stimulating indigenous private enterprise in the Asian and Pacific LDCs. It also advertises national and regional seminars and workshops organized by UNCTAD on the generalized system of preferences; restrictive business practices; technology policy; structural adjustment and trade expansion; the Uruguay Round; insurance; and trade facilitation through an automated system for customs data. In whichever way the broad features of the world order will develop and change, they will entail a multitude of negotiations, create a new need for informed decisions and throw up a host of problems, such as those just mentioned, of the kind UNCTAD has been dealing with. This part of UNCTAD's role may be less spectacular but is not for that reason less important. If anything, it may acquire even more relative importance in future.

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[1] *During 22 years with the United Nations Secretariat (1947-1969) Professor Hans Singer was involved with many new initiatives and institutions, including the UNDP Special Fund, the World Food Programme (WFP), the United Nations Research Institute for Social Development (UNRISD), UNIDO, the African Development Bank and the ILO World Employment Programme. Since 1969 he has been a Professorial Fellow at the Institute of Development Studies at the University of Sussex. He has served as an economic adviser in many developing countries and is the author of many books, articles and reports. In some of his theoretical work he was closely associated with Raúl Prebisch, the first Secretary-General of UNCTAD.*

COLOMBIA–AN EXPANDING, DIVERSIFIED ECONOMY

A representative democracy with a directly-elected president, Colombia ranks as the third most populous country in South America with a population of some 33 million. While rich in natural resources, the country was for a long time dependent on the export of a single commodity, coffee, of which it is the world's second largest producer. This is now changing. Agricultural and industrial production are being diversified, and mining has become a leading growth sector. Since the mid 1980s the economy has enjoyed relatively strong, export-led growth, with annual GDP rates averaging over 4 per cent in real terms. Combined with a reduced population growth rate of 2 per cent, this has contributed to a marked improvement in social conditions. Per capita income has risen progressively to over $1,200.

The most noteworthy change in the economic structure has been the increasing importance of mining, primarily oil, coal and gold. The mining sector now accounts for about 7.5 per cent of GDP, more than three times the 1980 level. The manufacturing sector, with a share in GDP of just over a fifth, and the agricultural sector, with around 17 per cent, have both experienced slight declines in recent years. The share of service activities, while remaining the largest at almost 46 per cent, has also lost some ground.

Stabilization with Growth

Following a boom in coffee exports during the late 1970s, the Colombian economy slowed down considerably. Inflation rose sharply while the currency appreciated, and by 1983 both the public sector and the current account were showing a deficit. In 1984 the Government launched an economic adjustment programme which included accelerated currency devaluation, public expenditure reductions, tax increases and trade reforms. By the mid 1980s the programme had successfully stabilized the economy, achieved external and internal balance and restored high rates of economic growth: in 1986 current account and fiscal surpluses were recorded and real GDP grew by 5.8 per cent. Inflation, however, remained a problem. Except for a small drop in 1989 following the imposition of restrictions on credit expansion, it rose steadily since 1986 to approach 30 per cent in 1990. In part the stubborn nature of inflation is due to the fact that the minimum wage, the exchange rate and the tariffs for public services are indexed to reflect price movements.

SELECTED ECONOMIC INDICATORS, 1990	
GDP	$41 bn
GDP real growth rate	4.2%
GDP per capita	$1,246[a]
Exports	$6.8 bn
Imports	$5.1 bn
Current account	$0.4 bn
Reserves excl. gold	$4.2 bn
Total external debt	$17.0 bn
Debt service ratio	48.6%[b]

[a] based on exchange rate of 502.2 pesos per dollar

[b] 1989

Source: IMF, International Financial Statistics
World Bank, World Debt Tables

The adjustment programme was maintained after 1986 and the economy has since grown at a steady rate. The fiscal deficit has been progressively reduced to 1 per cent of GDP in 1990 while rising exports and stable imports have contributed to current account surpluses in all but one year since 1986. A special feature of Colombia's external accounts has been a large increase in inward net private transfers, including an element of returning flight capital, attracted by improved economic conditions, high interest rates, a tax amnesty and reduced exchange restrictions. These movements have been reflected in a strengthened international reserve position, equivalent to over 10 months' worth of imports.

Export Base Diversified

The success of the Colombian economy in recent years is attributable to a conscious policy of internationalization, a main component of which has been the promotion of exports, particularly of non-traditional products. Fuel oil exports, for example, were more than four times their 1986 level in 1990, and surpassed earnings from coffee for the first time. At $1,935 million they accounted for 27 per cent of total exports. Although the share of coffee in total export revenues has been decreasing, particularly since the collapse of the International Coffee Agreement in 1989, coffee still accounts for over 21 per cent of such revenues. Coal shipments, worth nearly $600 million in 1990, have also increased in importance. Unexploited coal is plentiful, as Colombia's total reserves are the largest in Latin America. Other mineral export items include gold and nickel as well as platinum, iron ore and emeralds. The agricultural export base has also been diversified, and significant revenues are now being earned from bananas, flowers and

sugar. The manufacturing sector remains, however, the main source of export earnings with a share of about one third. A wide range of goods are exported but food, textiles and clothing, leather goods, chemicals and paper and paper products are particularly important.

The export promotion drive has resulted not only in product diversification, but has also led to changes in market structure. The United States, for long Colombia's main trading partner, has become an even more significant customer, absorbing more than 40 per cent of the country's exports, especially petroleum. Germany, the largest importer of Colombian coffee, is the second most important export market in absolute terms. The United States and the EC together provide more than half of Colombia's imports.

The Outlook for the 1990s

The outlook for the Colombian economy is conditioned by problems such as inflation, poverty, unemployment and, to a lesser extent, foreign debt. With a large population, two thirds of which is located in urban areas, the country still has relatively high levels of unemployment and poverty. The unemployment rate in the major cities stands at just under 11 per cent, and the World Bank has estimated that a quarter of the population has substandard nutrient intake levels and more than a third lacks access to safe water. Additionally, Colombia is in the front line in the war against the illegal drug trade, which is not only a source of social and political problems but also renders monetary and fiscal management problematic.

Colombia's foreign debt rose sharply after 1984 but, at less than $17 billion—42 per cent of GDP—is small in comparison with that of other countries in Latin America. The country has avoided rescheduling its debt, a factor which has enabled it to maintain access to external credit. It has received IMF assistance since 1986, and has been able to refinance its commercial bank loans. Debt service payments do, however, remain a burden since they absorb almost one half of export earnings.

The Government is responding to these problems with a determined effort to liberalize the economy, fight inflation, and promote export growth. The Economic Modernization Programme, adopted last year, aims at accelerating growth to about 5 per cent per year, in large part through improved resource allocation and use. In order to stimulate competition, the Government plans to sell off state-owned banks, eliminate numerous import tariffs and quantitative restrictions, further ease foreign

Cartagena de Indias

UNCTAD VIII will take place in Cartagena de Indias, which is located on Colombia's Caribbean coast. The city is built on a series of islands connected by bridges. Cartagena was founded in 1533 and soon became a major hub of Spanish colonial activity. In order to protect the city from attack, work started in 1556 to fortify it and to protect the harbour. Cartagena is today the American continent's most complete example of a fortified, walled city and contains several fine examples of colonial architecture, among them the Palace of the Inquisition. For this reason UNESCO declared Cartagena in 1985 to be "Part of Humanity's Historic Heritage". Together with the many beaches and recreational facilities and an agreeable climate, this heritage has helped to turn Cartagena into Colombia's leading tourist attraction. It is also equipped with a modern conference centre, the Centro de Convenciones y Exposiciones–Cartagena de Indias, which is situated opposite the old town and where the UNCTAD conference will take place.

The Plaza de la Aduana

investment regulations, and replace a central Colombian Ports Authority with port authority companies at each maritime terminal. Its anti-inflation measures include high interest rates and credit restrictions and a tight fiscal policy.

In June of this year the main elements of the national plan for the period 1991-1994 were revealed. The plan emphasizes improvements in the social and physical infrastructure. With regard to the former, the objective is to reduce significantly the incidence of poverty and to improve education, sanitation and health facilities. As for the infrastructure, a main feature is an improvement in transport links. There are plans to build an interoceanic road to connect the Caribbean Sea with the Pacific Ocean, which would help coffee and coal exports; to construct a new railway line from Santa Fé de Bogotá to Santa Marta; and to lay a gas pipeline between Colombia and Venezuela. A transcaribbean submarine optical fibre cable, now being installed, and the creation of a National Data Transmission Network should lead to improvements in telecommunications.

At the same time as liberalizing the economy, Colombia is looking to its neighbours in Latin America for an expansion of intra-regional trade. The creation of the Asociación Latinoamericana de Integración (ALADI) in 1980 resulted in a significant increase in regional trade in the late 1980s, though mainly on a bilateral basis. More recently, the widespread process of economic liberalization and the creation of market-based economies in Latin America have given a new impetus to regional co-operation. The five countries of the Andean Pact, of which Colombia is a founding member, have agreed to establish a zero tariff within their region by 1 January 1992. In 1989 the Andean Group was the second largest market for Colombian-made goods.

(continued from page 7)

two commodities for the bulk of their export earnings, diversification of productive capacities and exports, both horizontally and vertically, is necessary. For those that already have a more diversified commodity base, part of the resources generated by commodities should be applied to develop their manufacturing or services sectors. Technical co-operation for the formulation and implementation of such policies will be needed.

Thirdly, there is a need to ensure that national and international commodity policies are compatible with the precepts of sustainable development. Account has to be taken of the extent to which the environment has already been degraded in individual countries as a result of past productive activities in order to ensure an equitable sharing of responsibilities and costs.

These priorities could be the basis for the evolution of an effective commodity policy. Domestic policies alone, however sound, cannot create the conditions necessary to fulfil the goals implicit in these priorities: all of them require concerted and consistent international policies. Foremost is the need for co-operation between commodity producers and consumers. A fresh look at international commodity agreements is needed so as to incorporate new objectives and mechanisms. International commodity bodies should give priority to improving exchanges of information and to more detailed discussions on market situations and prospects. This is a prerequisite for improving real price levels and for the use of buffer stocks in dealing with temporary imbalances. Such measures imply co-operation also among producers, not only on supply management, but also in the field of research in improving species, production and processing techniques. The international institutions, too, have a role to play. They can support the efforts of producers and consumers, improve the collection and dissemination of statistics and provide technical assistance.

Institutional Issues

Though not formally on the Conference agenda, it is expected that institutional issues will feature prominently at Cartagena. These relate to the future role of UNCTAD in a new world order; the needed reorientations of its substantive work in response to changing realities; and to improvements in its organizational effectiveness and working methods. The need for UNCTAD to adapt and be increasingly responsive to the diversified interests of all its members is widely recognized and the Conference is expected to provide clear directions for the reform process.

The process of institutional reform will, of course, have to be pursued within the framework of the restructuring exercise launched by the General Assembly of the United Nations last year. Account would also have to be taken of developments concerning the institutional follow up of the outcome of the Uruguay Round, and of the initiative recently taken by the General Assembly on the strengthening of institutional arrangements in the area of multilateral trade. Yet the institutional reform of UNCTAD cannot be delayed. On the contrary, if properly pursued it would not only enhance the effectiveness of the institution; it would itself be a valuable contribution to these other processes.

TECHNICAL CO-OPERATION– UNCTAD'S OTHER FACE

A recently issued report on UNCTAD's technical co-operation programme in 1990 highlights the growing importance of this dimension of the organization's work. Over the past 20 years or so the programme has accumulated a considerable amount of expertise and today, though the size of the programme is modest compared to the needs of developing countries in the areas of UNCTAD's competence, country-specific operational activities are under way in some 50 member States.

The programme's objectives are pursued through a deliberate attempt to link operational activities as far as possible with the research and analytical work of the secretariat and to make this expertise readily available to member States. Moreover, given the broad spectrum of UNCTAD activities, co-operation and interaction with the UNCTAD/GATT International Trade Centre (ITC) and other agencies of the United Nations system are essential features of the programme.

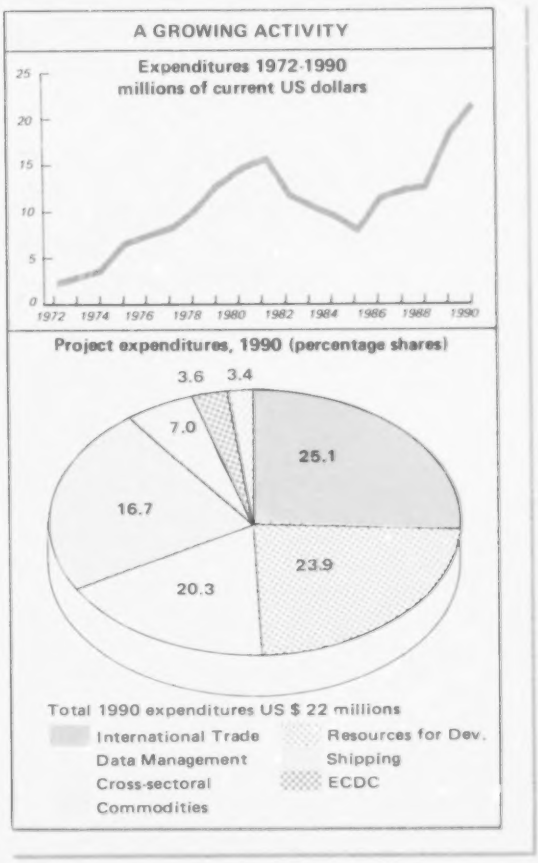
Funding for the programme comes from three sources: UNDP, funds-in-trust established by donor countries and UNCTAD's regular budget. In 1990 UNDP continued to provide the bulk of the financing, $17.5 million, or 80 per cent of the total. This share represents a drop from the 84 per cent level of 1989 which was, however, made up for by higher contributions from bilateral donors. The latter increased by half to $3.6 million, or 16 per cent of total funding. In view of the reduced level of resources available to UNDP's regional programmes, these bilateral contributions may be expected to assume increasing importance in sustaining the growth of UNCTAD's programme.

Recent Trends

After UNCTAD became a Participating and Executing Agency of the United Nations Development Programme (UNDP) in 1968, technical co-operation assumed an increasingly important role. As the chart shows, the level of activity increased steadily from 1972 to a peak in 1981 when expenditures totalled $15.3 million. The programme contracted somewhat in the early 1980s, but since 1986 it has been growing rapidly. Activity doubled over the four years to 1990, when 230 projects were financed at a cost of $22 million.

Following an established pattern, the 1990 programme was characterized by: a predominance of projects in the areas of international trade, resources for development and data management, described in the next section; an emphasis on inter-country activities, especially in Africa; and a focus on human resource development. Reflecting the fact that the sharing of inter-country experience is a continuing feature of UNCTAD's approach, more than three quarters of technical co-operation activities in 1990 involved more than one country. The focus on Africa, already noticeable in previous years, was maintained, with expenditures on African country and regional projects representing 38 per cent of the total value of such projects.

Training was again an important activity in 1990 with a slightly increased share of over 16 per cent. The latter underestimates the full extent of UNCTAD's involvement, however, since the majority of professional project personnel, which accounted for 72 per cent of the 1990 budget, undertake training activities as part of their terms of reference. The cost of such activities is not, however, charged to the training programme. Moreover, a substantial contribution to training events is made by regular UNCTAD staff. It is estimated that 137 seminars, workshops, and symposia took place in 1990 involving 4,895 participants.



Fields of Activity

Technical co-operation projects in the area of international trade absorbed 25 per cent of total resources in 1990 compared to 21 per cent in 1989. Assistance to countries participating in the Uruguay Round of multilateral trade negotiations (MTNs) together with projects related to the role of services in developing countries were largely responsible for this increase. The former activity was particularly intense since it was expected that the Round would be completed by the end of 1990. UNCTAD executed four projects in collaboration with the relevant United Nations Regional Commissions, involving the preparation of studies on Round issues, organizing advisory missions and a series of seminars and round-tables. Also used extensively in the context of the Uruguay Round training meetings has been a computer software package known as SMART, the Software for Market Analysis and Restrictions on Trade, developed jointly by UNCTAD and the World Bank.

In the area of resources for development, the second largest area of technical co-operation activity with outlays of $5.2 million in 1990, the Least Developed Countries Programme was entirely responsible for the $1 million increase in expenditures. This was due to the preparations for the Second United Nations Conference on the Least Developed Countries (LDCs) held in September 1990, and to the coming on stream of three large transit / transport projects in central and southern African LDCs.

Smaller expenditures within this field in 1990 were mainly connected with the software package known as DMFAS, the Debt Management and Financial Analysis System. The package is designed to fulfil the needs of a variety of users within governments with responsibilities for different aspects of debt management and external financial planning. Country projects in 12 developing countries, a regional project covering five Central American countries and an interregional one were successfully implemented in 1990.

The UNCTAD Insurance Programme, the only entity in the United Nations system with a mandate in this area, increased its technical co-operation activities in 1990. There were four regional projects and four national projects in insurance training and on legislation, including the strengthening of supervisory authorities, under implementation in Asia and Africa.

Technical co-operation activities related to data management expanded rapidly in 1990 to become the third largest component of the programme. Total expenditures of $4.5 million represented more than a twofold increase since 1988. A main activity was implementation of the Trade Facilitation Programme (FALPRO) with which the Automated System for Customs Data (ASYCUDA) has been integrated since 1989. The FALPRO programme provides assistance in standardizing trade documents as well as simplifying and harmonizing trade procedures. The latest version of the ASYCUDA software package rationalizes and simplifies a wide range of customs functions including manifest control, goods declaration, accounting, warehouse control, examination and licensing and trade data collection.

In 1990, there were 12 interregional projects, seven regional projects and 17 national projects executed by UNCTAD in the area of FALPRO and ASYCUDA; there were three other projects with which UNCTAD acted as associated agency. ASYCUDA software has been, or is being, installed in 37 countries and new projects in 18 other countries are in the pipeline.

Another continuing data management activity in 1990 was related to UNCTAD's Trade Control Measures Information System (TCMIS). This data base on trade barriers has been accessible to the governments of member States since 1988, and access is being expanded to the private sector through trust fund contributions.

Expenditures on projects in the field of shipping and multimodal transport in 1990 remained roughly unchanged at $3.7 million. Activities included giving advice and assistance on port planning, administration and operations, merchant fleet development, protection of shipper's interests, marine insurance, updating maritime legislation and changing transport policies to integrate containers with other modes of transport. Implementation of the Advanced Cargo Information System (ACIS), whereby transport operators have access to information on cargo in advance of that cargo reaching any interface, progressed in 1990. During the year, UNCTAD also played an active role in the preparations of the Second United Nations Transport and Communications Decade for Africa. The focus on management training continued during the year, in particular under the TRAINMAR, JOBMAR, Improving Port Performance and STRATSHIP programmes.

In 1990 UNCTAD also continued to manage smaller scale technical co-operation projects in the areas of commodities, economic co-operation among developing countries and cross-sectoral programmes. Among the more important projects were those in the areas of: TRAINFORTRADE, food import procurement, subregional and regional economic integration, inter-enterprise collaboration and assistance in negotiations connected with the Global System of Trade Preferences among developing countries.

NOTES

AUTUMN SESSION OF THE TRADE AND DEVELOPMENT BOARD

At its autumn session in October UNCTAD's Trade and Development Board adopted three resolutions. The first, on sustainable development, marks a step forward in UNCTAD's involvement in the environment/development problematique. It provides a mandate for further work in this area and sets out a detailed work programme for both the secretariat and UNCTAD's intergovernmental bodies. In another resolution, the Board recognized the need for more determined action to achieve a durable solution to the debt problem and agreed to engage in discussions at UNCTAD VIII on progress in addressing debt problems in a common effort to support the dynamic reinforcement of the international debt strategy. In a resolution on the financing of South-South trade, the Board called on the Secretary-General of UNCTAD to undertake a process of consultations with governments on the feasibility of establishing an interregional trade financing mechanism among developing countries and to continue to assist these countries in their efforts to strengthen and develop their national trade financing mechanisms. The Board session was also the occasion for further presentations on the role of UNCTAD and on the need to revitalize the institution.

UNCTAD, ENTERPRISE AND THE DEVELOPING COUNTRIES

Another in the series of pre-UNCTAD VIII informal encounters was held in Berlin on 31 October-1 November on *Conditions of financing enterprise activities in developing countries and fostering their participation in world trade*. The encounter was organized by the UNCTAD secretariat and the German Foundation for International Development (DSE), which hosted and financed the event. It was attended by entrepreneurs from developed and developing countries and by senior government officials. The meeting discussed: financing enterprises in developing countries; strengthening the international trade sector; and UNCTAD and the enterprise sector. There was general agreement about the need to fully support and encourage entrepreneurship in developing countries. UNCTAD was perceived to have an important role to play in this endeavour. A number of proposals were also put forward designed to strengthen the relationship between UNCTAD and the enterprise sector.

PUBLICATIONS

- Basic considerations on issues on the agenda of UNCTAD VIII. Position paper submitted by China (TD/357)
- Report on the informal encounter on national governance: The respective roles of the public and private sectors in promoting sustainable development (UNCTAD VIII/1)
- Report on the informal encounter on international trade and the environment (UNCTAD VIII/2)
- Report on the Proceedings of the Round Table on international commodity policies (UNCTAD VIII/3)
- Report on the Workshop on UNCTAD in a changing political and economic environment (UNCTAD VIII/6)
- Final review and appraisal of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (TD/B/1280/Add.1/Rev.1)
- Review of the technical assistance activities of UNCTAD and their financing: Annual statistical up-date 1990 (TD/B/WP/74)
- Prospects for the world cocoa market until the year 2005 (UNCTAD/COM/5)
- The economic and commercial implications of the entry into force of the Hamburg Rules and the Multimodal Transport Convention (TD/B/C.4/315/Rev.1)
- Developments in the field of container standards (TD/B/C.4/AC.11/6)
- Common European Economic Space (UNCTAD/ITP/59)
- Policies on competition and restrictive business practices in the Philippines, by Gonzalo T. Santos, Jr. (UNCTAD/ITP/63)
- Corporate behaviour in restraint of trade in goods and services in Sri Lanka, by F. D. C. Wijesinghe (UNCTAD/ITP/64)
- Corporate policies in the Republic of Korea, by Kyu Uck Lee (UNCTAD/ITP/65)
- Legislative environment to corporate policies in the United States, by Robert Pitofsky (UNCTAD/ITP/67)
- "Technology gap" theory of international trade: A survey, by Alessandro Goglio (UNCTAD/ITP/TEC/28)
- Technological change in services and international trade competitiveness, by Ian Miles and Sally Wyatt (UNCTAD/ITP/TEC/29)
- Review of the economic integration experience of ALADI, ASEAN, CACM and ECOWAS (UNCTAD/ECDC/217)

FORTHCOMING UNCTAD MEETINGS

- ***February***
  6-7
  Pre-Conference consultations among senior officials

  8-25
  United Nations Conference on Trade and Development (Cartagena de Indias, Colombia, eighth session)

- ***March***
  9-13
  Working Party on the Medium-term Plan and the Programme Budget (Geneva, twenty-first session)

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